

**FY 2006 BUDGET SUMMARY - DEBT SERVICE**

<u>Division</u>	<u>Audited FY03</u>	<u>Audited FY04</u>	<u>Budgeted FY05</u>	<u>Estimated FY05</u>	<u>Budgeted FY06</u>
<b>Debt Service</b>					
Street Improvement Loan FY05	0	0	0	33,484	372,853
Takoma Junction Loan	36,013	36,004	34,000	33,500	34,000
Ride-Behind Sweeper	0	4,617	6,926	6,926	6,926
Pinecrest--Montgomery County Loan	50,000	50,000	50,000	50,000	50,000
MEDCO	747,548	0	0	0	0
Street Sweeper	7,653	0	0	0	0
Computer System Lease/Purchase	29,717	0	0	0	0
Police Radio Equipment	47,391	68,076	62,840	62,840	62,840
Community Center Bond Issue FY02	131,610	143,391	153,969	153,969	155,865
6 Grant Avenue Project	5,000	5,000	5,000	5,000	5,000
Community Center Bond Issue FY05	0	0	0	0	205,000
<b>TOTAL--DEBT SERVICE</b>	<b>1,054,932</b>	<b>307,088</b>	<b>312,735</b>	<b>345,719</b>	<b>892,484</b>

## DEBT SERVICE

This budgetary unit provides for the payment of principal and interest payments on the City's outstanding debt obligations. These obligations were incurred as a result of long or short-term borrowing or lease financing. Further information about the City's outstanding obligations is provided below.

### Notes and Bonds

On July 15, 2005, the City closed on a general obligation bond issue in the amount of \$2,005,000. The proceeds from the bond issue were designated for street improvements throughout the City. The annual installments for the repayment of the bond as of June 30, 2005 are as follows:

<u>Fiscal Years</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 308,462	\$ 64,391	\$ 372,853
2007	308,462	54,081	362,543
2008	308,462	43,786	352,248
2009	308,462	33,483	341,945
2010	308,462	23,181	331,643
2011	308,462	12,878	321,340
2012	<u>154,228</u>	<u>2,576</u>	<u>156,804</u>
<b>Total</b>	<b><u>\$2,005,000</u></b>	<b><u>\$ 234,376</u></b>	<b><u>\$2,239,376</u></b>

On February 3, 2003, the City and State renegotiated the remaining balance of a Maryland Industrial Commercial Redevelopment Fund (MICRF) loan for 6 Grant Avenue. The loan matures on February 1, 2011. The principal is to be repaid in eight annual installments of \$5,000 and one final payment of \$2,260.

<u>Fiscal Years</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 5,000	\$ 0	\$ 5,000
2007	5,000	0	5,000
2008	5,000	0	5,000
2009	5,000	0	5,000
2010-2011	<u>7,260</u>	<u>0</u>	<u>7,260</u>
<b>Total</b>	<b><u>\$ 27,260</u></b>	<b><u>\$ 0</u></b>	<b><u>\$ 27,260</u></b>

The City entered into a Memorandum of Understanding Agreement with Montgomery County, Maryland during FY00 related to certain infrastructure repair work in the Pinecrest area. Under this agreement, the County made an interest free loan to the City in the amount of \$455,000 to be used for the infrastructure repair work. As repayment to the County, the County will reduce its annual Municipal Tax Duplication payments to the City for a period of nine years beginning in FY00. The remaining reductions will be made as follows:

**Fiscal Years**

2006	50,000
2007	50,000
2008	50,000
2009	<u>55,000</u>
<b>Total</b>	<b><u>\$ 205,000</u></b>

In 1995, the City borrowed \$315,000 to purchase property located in Takoma Junction. The City refinanced this loan in 1998 for a three-year term, with a balloon payment at the end of the loan. The City extended this loan in 2001 and 2004. The 2004 extension provided for an annual payment of \$20,167 with an interest rate of 5.98%. At the end of the three-year period, the City will need to determine whether to extend the loan again or to pay off the remaining principal balance. The City will no longer make debt service payments if the property is sold.

On April 16, 2002, the City participated in a bond issuance with the Maryland Department of Housing and Community Development. The issuance was limited to an aggregate principal balance of \$2,048,700 to be used for the construction of a Community Center.

The annual installments for the repayment of the bond as of June 30, 2005 are as follows:

<b><u>Fiscal Years</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total</u></b>
2006	\$ 76,700	\$ 78,470	\$ 155,170
2007	78,400	75,976	154,376
2008	81,900	73,390	155,290
2009	85,300	70,524	155,824
2010-2014	479,900	250,096	729,996
2015-2019	598,100	188,884	786,984
2020-2022	<u>433,400</u>	<u>42,194</u>	<u>475,594</u>
<b>Total</b>	<b><u>\$ 1,833,700</u></b>	<b><u>\$ 779,534</u></b>	<b><u>\$ 2,613,234</u></b>

In May 2005, the City will close on a bond issuance with the Maryland Department of Housing and Community Development. The issuance was limited to an aggregate principal balance of \$2,600,000 to be used for the construction of a community center. The actual debt service payment for the bond issue will not be known until the bond sale occurs, which is scheduled for the latter part of May. Funding in the amount of \$205,000 has been included in the proposed budget for the first year of debt service on the bond issue.

**Capital Lease**

The City has entered into two capital lease agreements for the purchase of equipment. The equipment underlying these agreements are police equipment with an original cost of \$380,000 and a street sweeping machine with an original cost of \$19,475. The minimum lease payments are as follows:

<b>Fiscal Year</b>	<b>Police Equipment</b>	<b>Street Sweeper</b>	<b>Total</b>
2006	\$ 62,839	\$ 6,926	\$ 69,765
2007	62,839	2,309	65,148
2008	62,839	0	62,839
2009	62,839	0	62,839
2010	<u>15,712</u>	<u>0</u>	<u>15,712</u>
<b>Total Payments</b>	<u>\$ 267,068</u>	<u>\$ 9,235</u>	<u>\$ 276,303</u>

# FY 06 Budget

## Debt Service By Project

TOTAL = \$892,484

	Street Loan FY 05 - \$372,853
	Comm Ctr Bond FY 05 - \$205,000
	Comm Ctr Bond FY 02 - \$155,865
	Police Radio Equipment - \$62,840
	Pinecrest Loan - \$50,000
	Takoma Junction Loan - \$34,000
	Ride Behind Sweeper - \$6,926
	6 Grant Ave Project - \$5,000

